

REVENUE DEPARTMENT[701]

Adopted and Filed

Pursuant to the authority of Iowa Code sections 421.14 and 422.68, the Department of Revenue hereby adopts amendments to Chapter 40, “Determination of Net Income,” Chapter 41, “Determination of Taxable Income,” Chapter 42, “Adjustments to Computed Tax and Tax Credits,” Chapter 45, “Partnerships,” Chapter 52, “Filing Returns, Payment of Tax, Penalty and Interest, and Tax Credits,” Chapter 53, “Determination of Net Income,” and Chapter 59, “Determination of Net Income,” Iowa Administrative Code.

Notice of Intended Action was published in IAB Vol. XXXVI, No. 4, p. 488, on August 21, 2013, as **ARC 0976C**.

Item 1 amends subrule 40.2(2) to correct a citation to a United States Supreme Court decision referenced in the subrule.

Item 2 amends rule 701—40.3(422) to update the list of bonds issued by the state of Iowa or its political subdivisions for which the interest income is exempt for both federal and Iowa income tax.

Item 3 amends rule 701—40.60(422) to state that bonus depreciation does not apply for Iowa individual income tax for assets acquired in 2013.

Items 4 and 5 amend rule 701—40.65(422) and the implementation sentence for rule 701—40.65(422) to provide that the increase in the expensing allowance for qualifying property authorized in section 179(b) of the Internal Revenue Code is allowed for Iowa individual income tax for the 2012 and 2013 tax years.

Item 6 rescinds and reserves subrules 41.3(5) and 41.3(6), which are outdated rules regarding a federal rebate received in 2001 and a federal rate reduction credit for the 2002 tax year.

Item 7 amends subrule 41.5(2) to provide that the election to deduct state sales and use tax as an itemized deduction for individual income tax is available for the 2012 and 2013 tax years.

Item 8 updates the implementation sentence for rule 701—41.5(422).

Items 9 and 10 amend paragraph 42.11(3)“d” and the implementation sentence for rule 701—42.11(15,422) to update the date for which Iowa is coupled with federal changes to the credit for increasing research activities which is the basis for the Iowa credit for increasing research activities for Iowa individual income tax.

Item 11 amends rules 701—45.1(422) and 701—45.2(422) to provide for changes in the criteria for partnerships, limited partnerships and limited liability companies which are required to file Iowa partnership returns for tax years.

Items 12, 13, 14 and 15 amend paragraphs 52.7(3)“d,” 52.7(5)“d,” and 52.7(6)“d,” and the implementation sentence for rule 701—52.7(422) to update the date for which Iowa is coupled with federal changes to the credit for increasing research activities which is the basis for the Iowa credit for increasing research activities for Iowa corporation income tax. This is similar to the changes in Items 9 and 10.

Item 16 amends rule 701—53.22(422) to state that bonus depreciation does not apply for Iowa corporation income tax for assets acquired in 2013. This is similar to the change in Item 3.

Items 17 and 18 amend rule 701—53.23(422) and the implementation sentence for rule 701—53.23(422) to provide that the increase in the expensing allowance for qualifying property authorized in section 179(b) of the Internal Revenue Code is allowed for Iowa corporation income tax for the 2012 and 2013 tax years. This is similar to the change in Items 4 and 5.

Item 19 amends rule 701—59.23(422) to state that bonus depreciation does not apply for Iowa franchise tax for assets acquired in 2013. This is similar to the change in Items 3 and 16.

Items 20 and 21 amend rule 701—59.24(422) and the implementation sentence for rule 701—59.24(422) to provide that the increase in the expensing allowance for qualifying property authorized in section 179(b) of the Internal Revenue Code is allowed for Iowa franchise tax for the 2012 and 2013 tax years. This is similar to the change in Items 4, 5, 17 and 18.

These amendments are identical to those published under Notice of Intended Action.

After analysis and review of this rule making, no adverse impact on jobs has been found.

These amendments are intended to implement Iowa Code sections 422.7, 422.9, 422.35 and 422.61 as amended by 2013 Iowa Acts, House File 575; Iowa Code sections 15.335, 422.3, 422.9, 422.10, 422.32 and 422.33 as amended by 2013 Iowa Acts, Senate File 106; and Iowa Code section 422.15 as amended by 2013 Iowa Acts, Senate File 452.

These amendments will become effective November 20, 2013, after filing with the Administrative Rules Coordinator and publication in the Iowa Administrative Bulletin.

EDITOR'S NOTE: Pursuant to recommendation of the Administrative Rules Review Committee published in the Iowa Administrative Bulletin, September 10, 1986, the text of these amendments [amendments to Chs 40 to 42, 45, 52, 53, 59] is being omitted. These amendments are identical to those published under Notice as **ARC 0976C**, IAB 8/21/13.

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[For replacement pages for IAC, see IAC Supplement 10/16/13.]